

## New California Tax Targets Lumber Purchasers

By George Runner

You've likely heard that in November California voters approved higher sales and income taxes. But there's another tax hike taking effect January 1 that may catch many Californians by surprise.

Late this summer—even before the recent election—two-thirds of the Legislature approved and the Governor signed legislation imposing a new "Lumber Products Assessment" on certain retail sales.

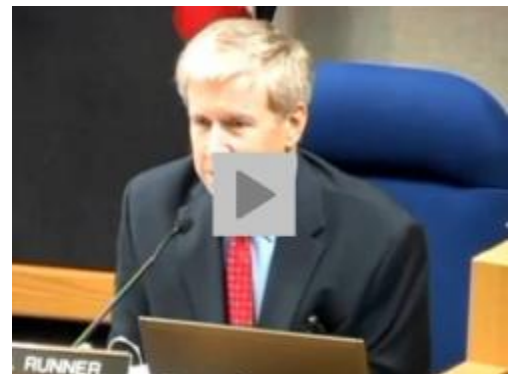
That might sound straightforward enough, but it's not.

Although some products containing wood will be taxed, others will not. Going forward, an elected bureaucrat at the Board of Forestry and Fire Protection will have the authority to unilaterally add or remove products from the list of taxable items annually. This power to declare items taxable is likely to create a constantly changing answer to the critical question, "What's a taxable lumber product?"

Items subject to the tax must contain at least 10% primary wood content. Examples include, but are not limited to, lumber, plywood particle board, poles, posts, structural panels, decking, railings, fencing (poles, solid board), roofing (shakes and wooden shingles), siding and sub-flooring.

Items clearly not within the scope of the tax are "secondary wood products" where additional labor has added significant value to the product, including furniture, firewood, paper products, windows and doors.

Businesses that sell taxable lumber products are hurrying to reprogram their registers to calculate the higher rate on these sales, which one trade group estimated would have an average cost of \$4,500 per business location. The new law specifically allows retailers to be reimbursed for costs to set up collection systems, which is a reasonable way of making it less expensive for businesses that collect taxes on behalf of the State of California.



***Senator Runner discusses lumber tax emergency regulations.***

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However, during our October meeting, the Board of Equalization voted—I was strongly opposed—to limit the reimbursement to \$250 per location for the estimated 60,000 businesses that will need to update their computer systems to collect the new lumber tax. At the same time, the Board voted to request nearly \$1 million in order to update its own computer systems to implement this new tax. I noted "I'm a little embarrassed that we are not afraid to ask for our full reimbursement for costs, but we're not willing to ask for full reimbursements for businesses in California." [\[View video\]](#)

Rather than cooking up complicated new taxes and fees, the California Legislature ought to start spending its time finding ways to help California job creators succeed. If a new tax is expensive for the Board of Equalization to implement, you can bet it's a costly headache for California business owners as well. And in this economy, the last thing Californians need is another tax.

*Elected in November 2010, George Runner represents more than nine million Californians as a member of the State Board of Equalization. For more information or assistance, visit [boe.ca.gov/Runner](http://boe.ca.gov/Runner).*

*To learn more about the Lumber Products Assessment, visit [boe.ca.gov/industry/lumber\\_products.html](http://boe.ca.gov/industry/lumber_products.html).*